

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION

MEETING OF DIRECTORS

PUBLIC SESSION

NOVEMBER 22, 2004

The Board of Directors of the Rhode Island Economic Development Corporation (the "Corporation") met on Monday, November 22, 2004, in Public Session, at 4:00 p.m., at the offices of the Rhode Island Economic Development Corporation located at One West Exchange Street, Providence, Rhode Island, pursuant to notice of the meeting to all Directors, and public notice of the meeting, a copy of which is attached hereto, as required by the By-Laws of the Corporation and applicable Rhode Island law.

The following Directors, constituting a quorum, were present and participated throughout the meeting as indicated: Governor Donald L. Carcieri, Mr. Keith Stokes, Representative Joseph A. Trillo, Representative Melvoid Benson, Ms. Barbara Jackson, Mr. George Shuster, Mr. Joshua Miller, Senator William Walaska and Ms. Alma Green.

Directors absent: Mr. Frank Montanaro, Senator Kevin Breene and Mr. Doug Sgarro.

Also present were: Executive Director Michael McMahon, members of the Corporation's staff and Attorney Robert I. Stolzman.

Governor Donald L. Carcieri presided over the meeting and Attorney Robert I. Stolzman acted as Secretary.

1. CALL TO ORDER

Governor Carcieri called the meeting to order at 4:00 p.m.

2. APPROVAL OF THE MINUTES OF THE MEETING HELD ON OCTOBER 25, 2004

Upon motion duly made by Representative Trillo and seconded by Representative Benson, the following vote was adopted:

VOTED: To approve the Minutes of the Meeting held on October 25, 2004, as presented to the Board this date.

Voting in favor of the foregoing were: Governor Carcieri, Senator Walaska, Mr. Stokes, Representative Trillo, Representative Benson, Ms. Jackson, Mr. Shuster, Ms. Green and Mr. Miller.

Voting against the foregoing were: None.

3. **FOR APPROVAL OF WAIVER OF DEVELOPMENT RIGHTS FOR ICON INTERNATIONAL AT THE QUONSET/DAVISVILLE PORT AND COMMERCE PARK**

Mr. Geoffrey Grout explained that the Board's approval is being sought in this matter in order to provide guidance to the Town of North Kingstown with a change in zoning. He referred the Board members to the information in their packages (See **Exhibit A**) and explained that two waivers are being sought by ICON International (ICON), which plans to expand its facilities at Quonset Point. The first is a waiver of the maximum site coverage, as the proposed expansion will exceed the maximum building to lot coverage ratio, and the second is a waiver of the minimum parking requirements. Mr. Grout explained that ICON is planning a large addition to its distribution facility on Callahan Road, which will substantially improve its current building.

Mr. McMahon noted that ICON is a good company and has been a good tenant at Quonset. He stated that the project has been reviewed and approved by the Design Review Committee as well as by the QDMC Board of Directors.

Attorney Richard Licht, representing ICON, explained that ICON is a 57 year old business born in Rhode Island with a desire to stay in Rhode Island as it continues its growth. He noted that representatives from the company were present at the meeting in the event anyone had questions.

Representative Benson commented that ICON is doing a very good job and that this expansion will complete the Keifer Park development. She added that ICON has been a good neighbor, she being one of its neighbors.

Representative Benson then made a motion to approve the resolution, which motion was seconded by Representative Trillo.

In response to a question of Ms. Green, Mr. Grout reported that the Town of North Kingstown wants to know what the EDC Board thinks of the waivers before it makes its decision.

A motion having been duly made and seconded, the following vote was then adopted:

VOTED: See text of Vote at **Exhibit B**.

Voting in favor of the foregoing were: Governor Carcieri, Senator Walaska, Representative Benson, Representative Trillo, Mr. Stokes, Ms. Jackson, Mr. Miller and Ms. Green and Mr. Shuster

Voting against the foregoing were: None.

4. FOR EXECUTIVE DIRECTOR'S REPORT

Executive Director McMahon noted that the approval of Proposition 14 regarding improvements at Quonset indicated strong support throughout the State. He stated that this approval is a very important part of the next step at Quonset, which is to get the infrastructure in shape. Mr. McMahon also noted that details of the separation of powers legislation are being worked out.

Next in his report, Mr. McMahon reported that GTECH plans to break ground on its new building in Providence on December 3, 2004.

Mr. McMahon next reminded the Board that he had started a series of presentations by "Sector Heads" at the last Board meeting. The October meeting included a presentation on the Defense and Homeland Security sector. As an example of that sector, Mr. McMahon introduced Mr. Michael Lepanto, President of Purvis Systems Incorporated (Purvis), to speak about his company. Mr. Lepanto explained that Purvis had been in business since 1973 and that its second contract was for the Newark Trident Submarine. He stated that in 1996 the company made a commitment to move all of its technical staff to Rhode Island. Since that time, explained Mr. Lepanto, the technical staff has grown and the company's facilities have expanded. Purvis was recently awarded a \$35 million contract with the New York City Fire Department.

Mr. Lepanto noted that the EDC was very instrumental in the decision to move all of the company's technical staff to Rhode Island in 1996, when it assisted Purvis in finding a bank and obtaining a capital equipment loan. Mr. Lepanto also noted that he has been very pleased with community support of the company.

At the request of Mr. McMahon, Mr. Lepanto explained the \$35 million contract which was recently awarded to Purvis by the New York City Fire Department. He stated that New York City has 15,000 call boxes, 10,000 of which are "push button" boxes, to enable citizens to call police and/or fire departments. The remaining 5,000 boxes are the old style "pull boxes". It is the pull boxes and the systems behind them that Purvis will be updating for New York City. Mr. Lepanto explained that each of the City's five boroughs has its own tracking system, and that Purvis was instrumental in designing and modernizing the systems. He noted that there are 240 firehouses in New York City, with three systems for communications between dispatchers and the fire houses, and that Purvis supports all of the communications systems 24/7. He noted that during the 9/11 tragedy as well as the blackout, all of the fire department systems continued to work while other communications systems failed. Mr. Lepanto explained that all of the funding for this project is coming from the City of New York.

In response to an inquiry of Mr. McMahon, Mr. Lepanto stated that Purvis currently has 65 employees in Rhode Island and 120 employees company-wide. The company is looking to almost double its Rhode Island staff in the near future.

Responding to an inquiry of Ms. Jackson, Mr. Lepanto replied that the company is located in Middletown.

Mr. Saul Kaplan next reported on the Every Company Counts website, noting that the site presently lists up to 75 direct contacts. He stated that the Blue Sky website has registered 18,000 visits per month for the last two months, with 500,000 hits. He estimates that 6,000 – 8,000 hits per month are new visitors to the site.

Mr. Kaplan then introduced Ms. Katharine Flynn, who has joined the EDC in business development after 20 years experience on Wall Street. Ms. Flynn heads up the Consumer Products sector of the EDC.

Using a power point presentation, Ms. Flynn pointed out that Rhode Island has 5 main areas of consumer products: Retail Drugs, Jewelry, Textiles, Food and Product Design.

Beginning with Retail Drugs, Ms. Flynn noted that Rhode Island is now the home of the #1 and #4 retail drug companies in the country, those being CVS and Brooks, respectively. She described Rhode Island as the “Bentonville” of the retail drug industry.

As for Product Design, Ms. Flynn noted that the location of the Rhode Island School of Design (RISD) in Providence has led the state to have great local arts communities. She noted a new company called “Item”, which was started by two RISD graduates and is involved in new product development, designing an assortment of products. She also referred to the Center for Design and Business, a joint venture of RISD and Bryant College, which does a lot of work with the EDC. Ms. Flynn also noted the recent arrival of “Design Within Reach” a new Downcity furniture store, whose owner, Ron Forbes, recognizes that Rhode Island is on the cutting edge of design.

Ms. Flynn noted that there is a public misconception that the textile industry in Rhode Island is dead. Contrarily, according to Ms. Flynn, the local textile industry is surviving and thriving. She specifically mentioned Concordia Yarns, located in Coventry, which now has a fast growing medical textile business.

Referring next to Rhode Island’s Food industry, Ms. Flynn stated that there are over 60 seafood manufacturers in the State. Other notable businesses in this area include Autocrat Coffee, a third generation company which has continued to grow by always thinking forward and coming up with new products. The largest food manufacturer in Rhode Island is Danielle Prosciutto, which sells its products worldwide. One of the newer food companies in Rhode Island is Garrison Confectioners, whose owners were educated at Johnson & Wales University and came back to Rhode Island after being in business in New York City. All three of these companies have connections to Johnson & Wales University.

Ms. Flynn next reported on the Jewelry industry in Rhode Island. She noted that although most of the costume jewelry manufacturing has moved offshore for labor reasons, some fine jewelry manufacturers have moved to Rhode Island, including Tiffany, which moved its manufacturing out of New York into Rhode Island to take

advantage of the great labor base and great supply of services, such as boxes and raw materials. Another company, Henry Burks & Sons, known as the “Tiffany of Canada”, has just purchased a building in Woonsocket for manufacturing purposes. Ms. Flynn noted that other major players in the local jewelry industry include BA Ballou and Swarovski. She also reported that MJSA and CCRI have started a joint venture for jewelry manufacturing education and training.

In summary, Ms. Flynn noted that some of the largest consumer products companies located in Rhode Island include CVS, Hasbro, AT Cross, Kenney Manufacturing, International Packaging and Paramount.

Senator Walaksa commented that some of the companies mentioned have moved their manufacturing facilities outside of Rhode Island, which Ms. Flynn acknowledged as true, stating that the moves have been for cost of labor reasons. Senator Walaska noted that the EDC had helped at least one of those companies (Hasbro) in the past but it later moved its manufacturing operations outside of the State, and queried if this could be prevented in the future.

Mr. McMahon responded by explaining that when the EDC awards incentives, it is a two-way contract, and both sides are expected to live up to the contract. However, he added, labor costs are what they are and the EDC is thinking in terms of “value-add” and concentrating on upgrading workers and management teams. Mr. Shuster noted that this is a federal issue that he is working on. Governor Carcieri referred to Brown & Sharp and how difficult it has been for the EDC to help them stay in Rhode Island.

Mr. Miller asked Mr. Kaplan if the 18,000 hits referred to on the website include tourism hits, to which Mr. Kaplan responded in the negative.

5. FOR APPROVAL OF PROJECT STATUS OF CITIZENS BANK, PHASE IV

Mr. Stolzman explained that the approval sought today by Citizens Bank is the fourth in a series of Project Status resolutions for Citizens Bank since 1996. He noted that Citizens Bank has exceeded every commitment it has made to the State, and that Mr. David Rubin and Mr. Fred Carter were present at the meeting to answer any questions of the Board members.

Mr. Stolzman explained that the proposed expansion by Citizens Bank of its corporate headquarters and operations in Rhode Island will result in the addition of a minimum of 400 new employees to the State. He referred the Board members to the Economic Analysis provided in their packages (See **Exhibit C**) and explained that the agreement provides for a recapture by the State if its goals are not met. Citizens Bank is requesting Project Status in order to obtain sales tax relief on the equipment, furniture and construction materials it purchases to upgrade its facilities. The company plans to invest close to \$40 million to renovate its existing facilities located in East Providence, Smithfield, Cranston and Warwick.

In response to an inquiry of Governor Carcieri, Mr. Richard Reed stated that once the expansion is completed, Citizens Bank will employ a minimum of 5,000 people in the State of Rhode Island, and that the company is making a \$10 to \$20 million capital investment.

Upon inquiry of Senator Walaska, Mr. Rubin stated that the former Apex store in Warwick will be used temporarily until other facilities are ready.

Mr. McMahon stated that he had met recently with Larry Fish, CEO of Citizens Bank and that Citizens Bank is a great success story. He noted that there is competition for jobs, especially in the areas where they are expanding. Mr. McMahon said the good news is that Citizens wants to expand in Rhode Island.

In response to an inquiry of Ms. Green, Mr. McMahon stated that Rhode Island residents will have the first stab at the new jobs before people are relocated to Rhode Island from out of state.

Upon motion duly made by Representative Trillo and seconded by Senator Walaska, the following vote was then adopted:

VOTED: See text of Vote at **Exhibit D.**

Voting in favor of the foregoing were: Governor Carcieri, Senator Walaska, Representative Benson, Representative Trillo, Mr. Stokes, Ms. Jackson, Mr. Miller and Ms. Green and Mr. Shuster

Voting against the foregoing were: None.

6. FOR REVIEW AND CONSIDERATION OF FY '04 AUDIT

Mr. Stokes explained that the draft audit presented to the Board (See **Exhibit E**) is an unqualified audit with no material discrepancies. He noted that there is a need to improve the audit process and that staff is working on a plan for improvements.

Ms. Jackson, noting that this is a financial audit, asked if the Corporation has ever done a "program audit" to measure how its programs are working. Mr. Stolzman stated that the EDC reports on its programs annually to the legislature by statute, and that staff conducts periodic internal audits as well.

Upon motion duly made by Ms. Jackson and seconded by Representative Benson, the following vote was then adopted:

VOTED: See text of Vote at **Exhibit F.**

Voting in favor of the foregoing were: Governor Carcieri, Senator Walaska, Representative Benson, Representative Trillo, Mr. Stokes, Ms. Jackson, Mr. Miller and Ms. Green and Mr. Shuster

Voting against the foregoing were: None.

7. FOR REVIEW AND CONSIDERATION OF FY '06 BUDGET

Mr. Richard Reed explained that the draft budget presented to the Board (See **Exhibit G**) is a first draft which was submitted 10 days ago to Governor Carcieri and the Budget Office. He noted that a supplement is being developed and will be distributed as soon as it is available. In response to a question of Mr. Miller, Mr. Reed stated that the draft budget will be broken down further for the Board's consideration.

Mr. Stolzman stated that there are no statutory requirements for the Board to vote on the budget at this time, but that the Board's input and direction is requested. Mr. Reed noted that this should be done through the finance committee headed by Mr. Stokes. He stated that the draft presented today is for information purposes only.

8. FOR UPDATE ON AGRICULTURAL ECONOMIC DEVELOPMENT

Mr. McMahon introduced Mr. Ken Ayars, Chief of the Rhode Island Division of Agriculture, and Mr. Stuart Nunnery, Executive Director of the Rhode Island Center for Agricultural Promotion and Education, to report on agricultural economic development in Rhode Island. Mr. McMahon noted that the best way to preserve open space in Rhode Island is to keep the farms in business.

Mr. Ayars distributed a folder of materials to the Board members (See **Exhibit H**) and provided a summary of the folder's highlights. He reported that a 2002 Census of Agriculture State Profile for Rhode Island showed the following changes between 1997 and 2002: number of farms 858, down 14%; land in farms 61,223 acres, down 6%; average size of farm 71 acres, up 9%; market value of production \$55,546,000, up 9% and market value of production, average per farm \$64,740, up 26%. The same report indicated that the highest farm sales came from nursery, greenhouse, floriculture and sod (\$37,593), followed by vegetables, melons, potatoes and sweet potatoes (\$5,527), milk and other dairy products from cows (\$3,859) and fruits, tree nuts and berries (\$2,358).

Mr. Ayars noted that in 2003 Rhode Island ranked 4th in the Country for value of production per acre, and 8th in the Country for net farm income. The State ranked 1st in 1997 and 2nd in 2003 for value of agricultural products sold directly for human consumption. Mr. Ayars stated that there are 56 roadside stands and 1200 farmers' markets in Rhode Island.

In 2001, according to a report by the Economic Research Service, Rhode Island farm and farm-related employment represented 13.1% of total employment in the State. Rhode Island farms also have the highest real estate values in the Country.

Mr. Ayars explained that there is a growing connection between agriculture and tourism and efforts are being made to promote agriculture as a tourist attraction.

Governor Carcieri asked if different towns treat farm land differently for real estate tax purposes, to which Mr. McMahon replied that the former disparity has gotten better and that real estate taxes in the State have become more normalized.

Mr. Miller commented, as the owner of a restaurant, that local farm products do not usually make it to local restaurants, as the restaurants do not have the time to travel around the state to shop for farm products. Instead, the restaurants have to rely on distributors who use year round producers, and that Rhode Island is not a year round producer of farm products. He suggested that this may be solved with some networking among the farmers and the restaurants.

Mr. Ayars stated that Brown University has a program which will assist with what Mr. Miller is suggesting, which is a web-based resource known as "localfarms.org". Mr. McMahon added that Every Company Counts can assist with getting this message out to the restaurant industry.

Mr. Stuart Nunnery distributed a folder of materials to the Board members (See **Exhibit I**). He reported on the emerging phenomenon of "agritourism", which is the fastest growing sector of tourism. He credits a primal desire to return to the past where life was simpler as a factor in the increased interest in agritourism. Mr. Nunnery stated that Rhode Island FarmWays is a nonprofit State venture to develop agritourism in Rhode Island and that 34 farms have signed on to this program to date. He also noted that the first New England Tourism Summit will be held in Rhode Island.

Mr. Nunnery stated that in order to develop agritourism in Rhode Island, the Rhode Island Center for Agricultural Promotion & Education (RICAPE) is looking for a three year commitment of funding for capacity building, program and staff development, marketing and communication, training and outreach. He would also like to see low-income funding made available to farmers for agritourism development and support. Finally, Mr. Nunnery stated that agritourism should be used for educating children.

Ms. Green noted, as a Latin American, that she is concerned about ill housing provisions and abuse toward seasonal laborers, many of whom are Latin American, to which Mr. Ayars stated that this is not his area of expertise.

9. FOR APPROVAL OF HEALTH REIMBURSEMENT ARRANGEMENT PER ERISA

Mr. Stolzman explained that Board authorization is necessary in order to make technical administrative changes to the EDC's employee benefit plan in order to comply with ERISA guidelines with respect to health reimbursements. He noted that the changes being made will help to keep costs down. In response to an inquiry of Representative Benson, Mr. Stolzman stated that the proposed amendments will not change the EDC's current policies.

Upon motion duly made by Mr. Shuster and seconded by Representative Benson, the following vote was then adopted:

VOTED: See text of Vote at **Exhibit J.**

Voting in favor of the foregoing were: Governor Carcieri, Senator Walaska, Representative Benson, Representative Trillo, Mr. Stokes, Ms. Jackson, Mr. Miller and Ms. Green and Mr. Shuster

Voting against the foregoing were: None.

There being no further business in Public Session the meeting was adjourned at 5:15 p.m., upon motion by Ms. Jackson and seconded by Senator Walaska.

Robert I. Stolzman, Secretary